

Message Text

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FM AMCONSUL MILAN

TO AMEMBASSY ROME

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SUBJECT: CABLE FROM VARESE

1. CONSERVATIVE, HIGHLY INDUSTRIALIZED VARESE PROVINCE, A PART OF MILAN'S HINTERLAND, HAS SURVIVED RECESSION WITHOUT UNDUE SUFFERING, BUT UNCERTAINTY OVER POLITICAL FUTURE IS DAMPENING ITS ECONOMY AS ENTREPRENEURS HOLD BACK ON NEW INVESTMENT. WHILE LOCAL ECONOMY HAS MADE ONLY SLIGHT RECOVERY FROM DEPTHS OF ITALIAN RECESSION, CAUSING TRADE UNIONISTS TO SOFT PEDAL STRIKES UNTIL THE ECONOMIC SITUATION IMPROVES, VARESE IS NOT HURTING. UNLIKE NEIGHBORING COMO PROVINCE, IT CANNOT BE SAID TO BE THRIVING. BUT ONE MUST LOOK HARD TO SEE THE PROBLEMS. DESPITE RELATIVELY STRONG ECONOMY, VARESE DRIFTED SLIGHTLY TO LEFT IN LOCAL ELECTIONS IN JUNE 1975. LOCAL LEADERS ATTRIBUTED THIS LEFTWARD MOVE TO ANTICLERICISM.

2. ON JUNE 15, 1975, COMMUNISTS NEARLY DOUBLED THEIR SHARE OF VOTES IN VARESE CITY GOVERNMENT AND INCREASED THE NUMBER OF CITY COUNCIL SEATS TO A QUARTER. ACCORDING TO UIL PROVINCIAL SECRETARY, RELATIONS BETWEEN

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UNIONS AND CITY GOVERNMENT WERE NONEXISTANT BEFORE

ELECTIONS. SINCE INCREASE IN PCI ROLE RELATIONS NOT ONLY ESTABLISHED, BUT ARE NOW RATHER GOOD. UNIONS AND CITY, FOR EXAMPLE, COOPERATED TO SOLVE PROBLEM CAUSED BY SUDDEN LARGE RISE IN GAS RATES. ON PROVINCIAL LEVEL, PCI GAINED 8.2 PERCENTAGE POINTS AND DOUBLED ITS NUMBER OF SEATS.

3. LOCAL ENTREPRENEURS ARE WORRIED BOTH BY PCI GAINS AND BY LACK OF EFFECTIVE GOVERNMENT IN ROME WITH THREAT OF COMMUNISTS ENTERING NATIONAL GOVERNMENT. LACK OF INVESTOR CONFIDENCE AND STILL WEAK MARKETS HAVE HELD VARESE ECONOMY CLOSE TO LAST YEAR'S LEVEL.

4. WITH 215,000 EMPLOYEES IN INDUSTRIAL AND MANUFACTURING SECTOR, PROVINCE OF VARESE IS ONE OF MOST HIGHLY INDUSTRIALIZED IN ITALY. OF THIS NUMBER, 65,000 ARE EITHER SKILLED CRAFTSMEN OR EMPLOYEES OF FIRMS WITH 20 OR FEWER WORKERS. THEIR NUMBER IS GROWING CONSTANTLY. TWO THIRDS OF WORKERS IN MECHANICAL SECTOR ARE CURRENTLY ON SHORT WORKWEEK. PROVINCE IS CENTER OF PRIVATELY CONTROLLED ITALIAN AEROSPACE INDUSTRY, PRODUCING SMALL JET AIRCRAFT AND HELICOPTERS BOTH UNDER LICENSE AND FROM OWN DESIGNS. BECAUSE OF NATURE OF PRODUCTS AND PROPORTION EXPORTED, SECTOR IS RELATIVELY INSULATED FROM CYCLES OF ITALIAN ECONOMY. ACCORDING TO YOUNG, CONSERVATIVE PRESIDENT OF ONE OF MAJOR AEROSPACE FIRMS IN PROVINCE, 80 PERCENT OF HIS FIRM'S SALES ARE EXPORTS FOR WHICH PAYMENT IS MADE IN DOLLARS. HE EXPECTS CURRENT WORK FORCE OF 2,000 TO REMAIN LEVEL FOR NEXT COUPLE OF YEARS. PRESIDENT SAID TYPICAL WORKER HAS TOOLS AT HOME AND WORKS OUTSIDE OF REGULAR JOB, A MEASURE OF THE INDUSTRIOUSNESS AND AMBITIOUSNESS OF AVERAGE VARESE WORKER.

5. SECOND ONLY TO METALWORKING SECTOR, IS COTTON TEXTILES, CURRENTLY IN SLUMP DUE WORLD COMPETITION PARTICULARLY FROM DEVELOPING COUNTRIES. SINCE TEXTILE INDUSTRY LARGE EMPLOYER OF WOMEN, AT END JANUARY 60 PERCENT OF UNEMPLOYED IN PROVINCE LIMITED OFFICIAL USE

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WERE WOMEN. BECAUSE MANY OF THESE WOMEN ARE MARRIED, LOSS OF JOB MEANT DECREASE IN FAMILY INCOME, BUT IN MOST CASES FAMILY UNIT STILL HAD AT LEAST ONE MEMBER EMPLOYED. YOUNG PEOPLE IN SEARCH OF FIRST JOB CONSTITUTED 28 PERCENT OF TOTAL UNEMPLOYED.

6. LARGEST EMPLOYER IN PROVINCE (7,000 EMPLOYEES), PRODUCER OF HOUSEHOLD APPLIANCES, IS DUTCH-OWNED.

TWO OTHER LARGE FIRMS, ONE PRODUCING RUBBER AND PLASTICS WORKING MACHINERY, THE OTHER MOTORCYCLES, ARE BOTH AMERICAN CONTROLLED. LOCAL LEADERS SHOWED A CERTAIN XENOPHOBIA NOT ONLY TOWARD FOREIGN CONTROL OF MAJOR LOCAL FIRMS, BUT TOWARD HUGE ITALIAN HOLDING COMPANY OPERATION THERE AS WELL, SUGGESTING ANY LARGE FIRM, IN THIS PROVINCE OF SMALL FIRMS, IS IN BAD ODOR.

7. ACCORDING TO LOCAL BANKS, SAVINGS ARE VERY HIGH, BUT LOAN DEMAND IS SO LOW THAT BANK USES BRANCHES IN PROVINCE TO COLLECT SAVINGS FOR LOAN IN MILAN WHERE DEMAND MUCH HIGHER. HE SAID SMALL VARESE ENTREPRENEURS TRADITIONALLY EXPAND VERY CAUTIOUSLY AND SELF FINANCE AS MUCH AS POSSIBLE.

8. CURRENTLY, ONLY SERIOUS LABOR DISPUTE INVOLVES OCCUPATION OF PLANT OF MEDIUM-SIZED FIRM TO PROTEST LAY OFFS. UNIQUENESS OF THIS CASE INDICATION OF BASICALLY SOUND LOCAL ECONOMY.

9. UIL PROVINCIAL SECRETARY SAID MOST OF HIS MEMBERSHIP IS RELUCTANT TO STRIKE. BECAUSE OF DIFFICULTIES IN THE MECHANICAL SECTOR, UIL, UNLIKE CISL, WILLING TO WINK AT TAKE-HOME WORK USED BY EMPLOYERS TO AVOID PAYMENT OF SOCIAL CONTRIBUTIONS AND VALUE ADDED TAX WHICH APPLIES TO PLANT PRODUCTION. HE SAID MOST LOCAL ENTREPRENEURS STARTED AS WORKERS. AS RESULT, THEY ARE FAIRLY SYMPATHETIC TO UNION DEMANDS FOR HIGHER WAGES, BUT ADAMANTLY OPPOSE SHARING POWER WITH THEM. IN HIS VIEW, URGENT TIGHT MONEY POLICY AND HIGH INTEREST RATES, IF MAINTAINED, WILL CAUSE HARDSHIPS FOR SMALL FIRMS AFTER SUMMER HOLIDAYS. HIS CISL COUNTER-LIMITED OFFICIAL USE

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PARTY, WHO IS DC MEMBER, SPOKE VERY CRITICALLY OF NATIONAL GOVERNMENT.

10. SENT UP FROM MILAN TO END INTERNAL RIVALRIES, ENFORCE PARTY LINE AND REORGANIZE LOCAL PARTY, 23 YEAR-OLD PSI PROVINCIAL SECRETARY ONE OF YOUNGEST IN PARTY. HE FAVORS EARLY ELECTIONS IN WHICH HE EXPECTS LEFT (INCLUDING PSI) TO GAIN AND CLAIMS PSI NOW STRONGER IN VARESE AND RELATIONSHIPS WITH OTHER PARTIES HAVE IMPROVED ALTHOUGH DC STILL OPPOSES LEFT AS MATTER OF PRINCIPLE. THUS, DC PLUS PSI HOLD MOST OF CHAIRMANSIPS OF 8 MUNICIPAL WARD COUNCILS. WHEN PCI REQUESTED ONE CHAIRMANSHIP, DC REFUSED, BUT PSI OFFERED ONE OF ITS OWN. ACCORDING TO PSI SECRETARY, THIS ISSUE COULD BRING DOWN MUNICIPAL GOVERNMENT, BUT WILL

PROBABLY END WITH PCI GAINING CHAIR DESPITE DC STONE-WALLING.

11. MIDDLE-AGED DC PROVINCIAL SECRETARY, TWO YEARS IN OFFICE, SAID FINANCIAL SUPPORT FOR LOCAL PARTY FROM PRIVATE SOURCES HAS CEASED. THAT FROM ROME IS SPASMODIC, LEAVING PROVINCIAL ORGANIZATION DESPERATE FOR FUNDS. SECRETARY FEARED EARLY ELECTIONS AND OBSERVED THAT HE IS NOT IN GOOD FAVOR WITH OLD PARTY STALWARTS IN ROME, PERHAPS BECAUSE HE HAS NO OBJECTION IN PRINCIPLE TO COOPERATING WITH PCI ON AD HOC BASIS.

12. IV12. IT APPEARS COMMUNISTS WILL CONTINUE TO EXPAND THEIR TOE HOLD IN VARESE PROVINCE UNTIL DC BEGINS TO REESTABLISH ITS CREDIBILITY AS EFFECTIVE GOVERNING PARTY. PCI GAINS HERE WERE DUE PRIMARILY TO POLITICAL PROBLEMS, NOT ECONOMIC. FINA

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